ORIGINAL

OPEN MEETING

MEMORANDUM

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AZ CORP COMMISSION
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TO: THE COMMISSION

FROM: Utilities Division

DATE: March 23, 2006

RE: IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF THE NEW EXPERIMENTAL RESIDENTIAL TIME-OF-USE RATE SCHEDULES, ET-2 AND ECT-2 (DOCKET NO. E-01345A-05-0674)

On September 22, 2005, Arizona Public Service Company ("APS" or "Company") filed an application for approval of two new experimental residential time-of-use ("TOU") rate schedules, ET-2 and ECT-2. These rates are experimental and customer participation is limited to 20,000 customers on both rate schedules combined. Customer participation in these rate schedules is completely voluntary. These rate schedules were filed for approval pursuant to the requirements of Decision No. 67744 (April 7, 2005.) In that Decision, the Commission found that APS' "traditional demand response programs that define 'off-peak' hours as between 9:00 p.m. to 9:00 a.m. are ineffective in creating an incentive to residential ratepayers to shift their consumption to 'off-peak' hours."[1] The Company was therefore ordered to file additional TOU programs similar to the existing Time Advantage and Combined Advantage TOU programs but with different peak and off-peak periods.

APS' existing residential TOU rate schedules are ET-1 (Time Advantage Rate) and ECT-1R (Combined Advantage Rate.) Both of these rate schedules define the off-peak time period as 9:00 p.m. to 9:00 a.m. during both the summer and winter months. The per kWh charges for both ET-1 and ECT-1R are higher during the summer months (May-October) than the winter months. Also the ratio of on-peak kWh charges to off-peak kWh charges is greater in the summer than the winter. ECT-1R contains a demand charge applicable to the on-peak period only.

APS' proposed new experimental TOU rate schedules (ET-2 and ECT-2) are very similar to the existing ET-1 and ECT-1R. The proposed and existing rate schedules differ structurally in that ET-2 and ECT-2 define the off-peak time period as 7:00 p.m. to noon and the ratio of summer on-peak to off-peak kWh charges is greater for ET-2 and ECT-2. The following table compares the existing ET-1 rate schedule with the proposed ET-2 rate schedule:

1 Decision No. 67744, Page 22, Lines 22 thru 24.

Table 1: ET-1 to ET-2 Comparison

	ET-1	ET-2	Difference
Basic Service Charge per day	$ 0.4930	$ 0.5480	11%
Summer on-peak rate per kWh	$ 0.1331	$ 0.1820	37%
Summer off-peak rate per kWh	$ 0.0430	$ 0.0452	5%
Summer ratio of on-off peak rates	3.09	4.03	30%
Winter on-peak rate per kWh	$ 0.1092	$ 0.0870	-20%
Winter off-peak rate per kWh	$ 0.04167	$ 0.0578	39%
Winter ratio of on-off peak rates	2.62	1.5	-43%
Off-peak time period	9:00 p.m. to 9:00 a.m.	7:00 p.m. to noon	
Off-peak hours	12	17	42%

The following table compares the existing ECT-1R rate schedule with the proposed ECT-2 rate schedule:

Table 2: ECT-1R to ECT-2 Comparison

	ECT-1R	ECT-2	Difference
Basic Service Charge per day	$ 0.493	$ 0.548	11%
Summer Demand Charge on-peak kW	$ 11.81	$ 11.81	0%
Summer on-peak rate per kWh	$ 0.04765	$ 0.0569	19%
Summer off-peak rate per kWh	$ 0.02672	$ 0.02792	4%
Summer ratio of on-off peak rates	1.8	2	14%
Winter Demand Charge on-peak kW	$ 8.11	$ 8.11	0%
Winter on-peak rate per kWh	$ 0.03641	$ 0.0373	2%
Winter off-peak rate per kWh	$ 0.0257	$ 0.02733	6%
Winter ratio of on-off peak rates	1.4	1.4	-4%
Off-peak time period	9:00 p.m. to 9:00 a.m.	7:00 p.m. to noon	
Off-peak hours	12	17	42%

The proposed per kWh charges for ET-2 and ECT-2 are designed to achieve revenue neutrality with the existing ET-1 and ECT-1R, respectively. Revenue neutrality requires the charges to be generally higher for the proposed rates because customers will have a greater opportunity to consume off-peak. Under the proposed rates, there will be 42 percent more off-peak hours (17 as opposed to 12.) Also, the off-peak period starts at a more convenient time for customers (7:00 p.m. as opposed to 9:00 p.m.) Staff has reviewed the billing determinants APS

used to develop the proposed rates and agrees that the per kWh charges for ET-2 and ECT-2 are revenue neutral compared to ET-1 and ECT-1R, respectively. Revenue neutrality is desirable in these circumstances because the intent of these new experimental rates is not to benefit or penalize the company.

The Basic Service Charge per day for both ET-2 and ECT-2 is $0.548 compared with $0.493 for both ET-1 and ECT-1R. The difference between the Basic Service Charges ($0.055 per day) is derived from APS' implementation costs for the proposed rate schedules.

Staff generally supports the proposed new experimental TOU rate schedules. The new schedules have an off-peak time period that is more convenient for customers than existing TOU rate schedules and thus could result in shifting a greater part of APS residential load to off-peak time periods. Additionally, the ratio of on-peak rates to off-peak rates in the summer is greater for the proposed rates than for existing TOU rates. This provides additional incentive for customers to shift their usage to off-peak hours.

While Staff generally supports the new TOU rate schedules, Staff does have some concerns. First, there is some concern that the proposed rates will simply result in shifting the system peak period to the 7:00 – 9:00 p.m. time period rather than actually reducing the peak. Second, Staff is concerned about the use of the same off-peak hours for both the summer and winter months. Third, Staff questions whether it is appropriate for APS to seek recovery for the implementation costs of the new TOU rates in this filing. Finally, Staff is concerned that the number of customers allowed to participate in the new experimental rate schedules is too low.

APS maintains in its application that there is a potential that shifting load from the 7:00 p.m. to 9:00 p.m. time period in the summer could simply move the peak to that time period. (Currently APS' summer system peak occurs between 3:00 p.m. and 6:00 p.m.) The goal of TOU rates is to smooth the load shape and *reduce* the peak demand, not simply to shift the peak demand period. While Staff shares APS' concern regarding peak shifting, Staff sees no reason to alter or deny APS' proposed ET-2 and ECT-2 experimental rate schedules because of it. Staff notes that APS' contention is not supported by hard data or analysis. Also, since these rate schedules are experimental and customer participation is limited, it is unlikely that they will have a substantial impact on APS' system load shape. These experimental rates will provide APS and the Commission with information regarding customer behavior on such rates and will allow for an assessment of TOU off-peak time periods that is based on actual data. To that end Staff recommends that on an annual basis after these experimental rates are approved by the Commission APS shall file with the Commission a report that details the load shape of the participants in the experimental rates.

Staff is also concerned about the use of the same on and off-peak time periods during both the summer and winter months. This is actually quite unusual; typically utilities use different on and off-peak hours in the winter to reflect the different system load shape during the winter months. During the winter, APS' system load typically peaks in the early morning with a second lower peak in the early evening. (Both of these intra-day winter peaks are significantly

less than the summer peak.) Other utilities in Arizona and in other states typically have winter TOU rates that track the winter load shape and have two different on-peak periods (one in the morning and one in the evening). APS contends that setting winter peak hours the same as summer peak hours is advantageous because it matches the daily load shape for hot days in March and April (which typically follow a summer load shape), it will reduce customer confusion, and customers will likely not be able to shift load away from the early morning and early evening hours. Additionally, Staff adds that it is the summer peak that matters in that it drives the need for capacity. Smoothing the winter load shape will have little impact on APS' capacity needs. Thus, APS' argument in favor of simplicity is reasonable. While most other utilities have TOU rates that track the winter load shape more precisely, Staff sees little benefit in adding this additional complication to APS' proposed experimental TOU rates at this time. However, before these experimental rate schedules are made permanent, an assessment should be made regarding the appropriateness of APS' proposed winter off-peak periods. To that end, Staff recommends that the annual report mentioned above include both the summer and winter load shape of the participants in the experimental rates.

Staff is also concerned about APS' proposal to collect the implementation costs of the proposed TOU rates through the Basic Service Charge. APS proposed daily Basic Service Charge includes $0.055 to cover implementation costs. APS reports estimated implementation costs as follows:

Incremental meter, installation and transportation costs:	$365,205
Billing and related systems costs – programming and testing:	$650,000
Customer service costs:	$159,675
Total:	$1,174,880[2]

The proposed Basic Service Charge is designed to collect these costs over three years. Staff believes that costs such as these are more appropriately considered through a general rate case and does not recommend their recovery at this time. Thus, Staff recommends that the proposed daily Basic Service Charge for ET-2 and ECT-2 be reduced by $0.055 and set at $0.493.

Staff's final concern involves the number of customers allowed to participate in the new experimental TOU rate schedules. Given the potential customer benefits of these new rates, Staff does not agree with the Company that only 20,000 customers should be allowed to participate in these rates. APS reports in its application that there are currently over 357,000 customers on APS' current TOU rates. Given this high level of customer participation, it is reasonable to assume that the level of customer interest in these new experimental rates will be high. In order to allow more customers the opportunity to benefit from the new experimental TOU rates, Staff recommends that the level of allowed customer participation in the new experimental TOU rates be increased to 50,000 customers.

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[2]. APS reports implementation costs of $1,194,880 but there appears to be a $20,000 error in the calculations contained in APS' application.

Staff is aware that increasing the level of customer participation will increase the implementation costs borne by APS. APS has provided Staff with the spreadsheet models it used to estimate the implementation costs of its proposed new experimental TOU rate schedules. Using APS' spreadsheets and keeping all of APS' assumptions therein the same, Staff has calculated estimates of implementation costs for various levels of customer participation. The following table summarizes the results of those calculations:

Table 3: Estimated Implementation Costs for Different Levels of Customer Participation

Expected new participants	**20,000**	**50,000**	**100,000**
Meter and installation and transportation	$ 365,205	$ 866,680	$ 1,702,471
System programming and testing	$ 650,000	$ 650,000	$ 650,000
Customer service costs	$ 159,675	$ 225,488	$ 335,175
Total incremental costs	**$ 1,174,880**	**$ 1,742,167**	**$ 2,687,646**
Total incremental cost per customer	**$ 58.74**	**$ 34.84**	**$ 26.88**

According to these cost estimates, moving from APS' proposed 20,000 limit on customer participation to Staff's proposed 50,000 limit will result in an additional $567,287 in implementation costs for APS. While Staff is not recommending recovery of these costs at this time, Staff did calculate the increase to the daily Basic Service Charge that would recover the estimated implementation costs with 50,000 customers participating. Assuming a three year amortization period, the daily Basic Service Charge would have to equal $0.525 (or $0.032 more than the daily Basic Service Charge on APS' current TOU rates) in order to recover the estimated implementation costs with 50,000 customers participating.

Because the proposed experimental tariffs are designed to be revenue neutral, and because they were contemplated in Decision No. 67744, Staff believes it is appropriate to use the fair value finding in that decision for the purposes of a fair value finding regarding the analysis of these experimental rate schedules. Decision No. 67744 found APS' fair value rate base to be $5,054,426,000 and its fair value rate of return to be 5.92 percent. Because these experimental rate schedules are intended to be revenue neutral, they should have little or no effect on APS' rate of return.

Staff recommends approval of APS' proposed experimental rate schedules ET-2 and ECT-2 with the modification that the daily basic service charge for both rate schedules is set at $0.493 and the limit on customer participation is set at 50,000.

Staff also recommends that on an annual basis after these experimental rates are approved by the Commission, by January 31 each year APS shall file with Docket Control a report that details the summer and winter load shapes of the participants in the experimental rates. The annual reports should also include the number of customers taking service on these experimental rates and the amount that customers have saved relative to non-time-of-use rates.

Staff further recommends that concurrent with the filing of the second annual report, APS will file an application to make these experimental rates (with appropriate modifications) permanent and available to all customers.

Ernest G. Johnson
Director
Utilities Division

EGJ:MJR:lhm\JFW

ORIGINATOR: Matthew Rowell

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF THE NEW EXPERIMENTAL RESIDENTIAL TIME-OF-USE RATE SCHEDULES, ET-2 AND ECT-2	DOCKET NO. E-01345A-05-0674 DECISION NO. _____ ORDER

Open Meeting
April 4 and 5, 2006
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On September 22, 2005, Arizona Public Service Company ("APS" or "Company") filed an application for approval of two new experimental residential time-of-use ("TOU") rate schedules, ET-2 and ECT-2. These rates are experimental and customer participation is limited to 20,000 customers on both rate schedules combined. Customer participation in these rate schedules is completely voluntary. These rate schedules were filed for approval pursuant to the requirements of Decision No. 67744 (April 7, 2005.) In that Decision, the Commission found that APS' "traditional demand response programs that define 'off-peak' hours as between 9:00 p.m. to 9:00 a.m. are ineffective in creating an incentive to residential ratepayers to shift their consumption to 'off-peak' hours."[1] The Company was therefore ordered to file additional TOU programs similar to the existing Time Advantage and Combined Advantage TOU programs but with different peak and off-peak periods.

1 Decision No. 67744, Page 22, Lines 22 thru 24.

2. APS' existing residential TOU rate schedules are ET-1 (Time Advantage Rate) and ECT-1R (Combined Advantage Rate.) Both of these rate schedules define the off-peak time period as 9:00 p.m. to 9:00 a.m. during both the summer and winter months. The per kWh charges for both ET-1 and ECT-1R are higher during the summer months (May-October) than the winter months. Also the ratio of on-peak kWh charges to off-peak kWh charges is greater in the summer than the winter. ECT-1R contains a demand charge applicable to the on-peak period only.

3. APS' proposed new experimental TOU rate schedules (ET-2 and ECT-2) are very similar to the existing ET-1 and ECT-1R. The proposed and existing rate schedules differ structurally in that ET-2 and ECT-2 define the off-peak time period as 7:00 p.m. to noon and the ratio of summer on-peak to off-peak kWh charges is greater for ET-2 and ECT-2. The following table compares the existing ET-1 rate schedule with the proposed ET-2 rate schedule:

Table 1: ET-1 to ET-2 Comparison

	ET-1	ET-2	Difference
Basic Service Charge per day	$ 0.4930	$ 0.5480	11%
Summer on-peak rate per kWh	$ 0.1331	$ 0.1820	37%
Summer off-peak rate per kWh	$ 0.0430	$ 0.0452	5%
Summer ratio of on-off peak rates	3.09	4.03	30%
Winter on-peak rate per kWh	$ 0.1092	$ 0.0870	-20%
Winter off-peak rate per kWh	$ 0.04167	$ 0.0578	39%
Winter ratio of on-off peak rates	2.62	1.5	-43%
Off-peak time period	9:00 p.m. to 9:00 a.m.	7:00 p.m. to noon	
Off-peak hours	12	17	42%

4. The following table compares the existing ECT-1R rate schedule with the proposed ECT-2 rate schedule:

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Table 2: ECT-1R to ECT-2 Comparison

	ECT-1R	ECT-2	Difference
Basic Service Charge per day	$ 0.493	$ 0.548	11%
Summer Demand Charge on-peak kW	$ 11.81	$ 11.81	0%
Summer on-peak rate per kWh	$ 0.04765	$ 0.0569	19%
Summer off-peak rate per kWh	$ 0.02672	$ 0.02792	4%
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Winter Demand Charge on-peak kW	$ 8.11	$ 8.11	0%
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Winter off-peak rate per kWh	$ 0.0257	$ 0.02733	6%
Winter ratio of on-off peak rates	1.4	1.4	-4%
Off-peak time period	9:00 p.m. to 9:00 a.m.	7:00 p.m. to noon	
Off-peak hours	12	17	42%

5. The proposed per kWh charges for ET-2 and ECT-2 are designed to achieve revenue neutrality with the existing ET-1 and ECT-1R, respectively. Revenue neutrality requires the charges to be generally higher for the proposed rates because customers will have a greater opportunity to consume off-peak. Under the proposed rates, there will be 42 percent more off-peak hours (17 as opposed to 12.) Also, the off-peak period starts at a more convenient time for customers (7:00 p.m. as opposed to 9:00 p.m.) Staff has reviewed the billing determinants APS used to develop the proposed rates and agrees that the per kWh charges for ET-2 and ECT-2 are revenue neutral compared to ET-1 and ECT-1R, respectively. Revenue neutrality is desirable in these circumstances because the intent of these new experimental rates is not to benefit or penalize the Company.

6. The Basic Service Charge per day for both ET-2 and ECT-2 is $0.548 compared with $0.493 for both ET-1 and ECT-1R. The difference between the Basic Service Charges ($0.055 per day) is derived from APS' implementation costs for the proposed rate schedules.

7. Staff generally supports the proposed new experimental TOU rate schedules. The new schedules have an off-peak time period that is more convenient for customers than existing TOU rate schedules and thus could result in shifting a greater part of APS residential load to off-peak time periods. Additionally, the ratio of on-peak rates to off-peak rates in the summer is

greater for the proposed rates than for existing TOU rates. This provides additional incentive for customers to shift their usage to off-peak hours.

8. While Staff generally supports the new TOU rate schedules, Staff does have some concerns. First, there is some concern that the proposed rates will simply result in shifting the system peak period to the 7:00 – 9:00 p.m. time period rather than actually reducing the peak. Second, Staff is concerned about the use of the same off-peak hours for both the summer and winter months. Third, Staff questions whether it is appropriate for APS to seek recovery for the implementation costs of the new TOU rates in this filing. Finally, Staff is concerned that the number of customers allowed to participate in the new experimental rate schedules is too low.

9. APS maintains in its application that there is a potential that shifting load from the 7:00 p.m. to 9:00 p.m. time period in the summer could simply move the peak to that time period. (Currently APS' summer system peak occurs between 3:00 p.m. and 6:00 p.m.) The goal of TOU rates is to smooth the load shape and *reduce* the peak demand, not simply to shift the peak demand period. While Staff shares APS' concern regarding peak shifting, Staff sees no reason to alter or deny APS' proposed ET-2 and ECT-2 experimental rate schedules because of it. Staff notes that APS' contention is not supported by hard data or analysis. Also, since these rate schedules are experimental and customer participation is limited, it is unlikely that they will have a substantial impact on APS' system load shape. These experimental rates will provide APS and the Commission with information regarding customer behavior on such rates and will allow for an assessment of TOU off-peak time periods that is based on actual data. To that end Staff recommends that on an annual basis after these experimental rates are approved by the Commission APS shall file with Docket Control a report that details the load shape of the participants in the experimental rates.

10. Staff is also concerned about the use of the same on and off-peak time periods during both the summer and winter months. This is actually quite unusual; typically utilities use different on and off-peak hours in the winter to reflect the different system load shape during the winter months. During the winter, APS' system load typically peaks in the early morning with a second lower peak in the early evening. (Both of these intra-day winter peaks are significantly less

than the summer peak.) Other utilities in Arizona and in other states typically have winter TOU rates that track the winter load shape and have two different on-peak periods (one in the morning and one in the evening.) APS contends that setting winter peak hours the same as summer peak hours is advantageous because it matches the daily load shape for hot days in March and April (which typically follow a summer load shape), it will reduce customer confusion, and customers will likely not be able to shift load away from the early morning and early evening hours. Additionally, Staff adds that it is the summer peak that matters in that it drives the need for capacity. Smoothing the winter load shape will have little impact on APS' capacity needs. Thus, APS' argument in favor of simplicity is reasonable. While most other utilities have TOU rates that track the winter load shape more precisely, Staff sees little benefit in adding this additional complication to APS' proposed experimental TOU rates at this time. However, before these experimental rate schedules are made permanent, an assessment should be made regarding the appropriateness of APS' proposed winter off-peak periods. To that end, Staff recommends that the annual report mentioned above include both the summer and winter load shape of the participants in the experimental rates.

11. Staff is also concerned about APS' proposal to collect the implementation costs of the proposed TOU rates through the Basic Service Charge. APS proposed daily Basic Service Charge includes $0.055 to cover implementation costs. APS reports estimated implementation costs as follows:

Incremental meter, installation and transportation costs:	$365,205
Billing and related systems costs – programming and testing:	$650,000
Customer service costs:	$159,675
Total:	$1,174,880[2]

The proposed Basic Service Charge is designed to collect these costs over three years. Staff believes that costs such as these are more appropriately considered through a general rate

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[2]. APS reports implementation costs of $1,194,880 but there appears to be a $20,000 error in the calculations contained in APS' application.

case and does not recommend their recovery at this time. Thus, Staff recommends that the proposed daily Basic Service Charge for ET-2 and ECT-2 be reduced by $0.055 and set at $0.493.

12. Staff's final concern involves the number of customers allowed to participate in the new experimental TOU rate schedules. Given the potential customer benefits of these new rates, Staff does not agree with the Company that only 20,000 customers should be allowed to participate in these rates. APS reports in its application that there are currently over 357,000 customers on APS' current TOU rates. Given this high level of customer participation, it is reasonable to assume that the level of customer interest in these new experimental rates will be high. In order to allow more customers the opportunity to benefit from the new experimental TOU rates, Staff recommends that the level of allowed customer participation in the new experimental TOU rates be increased to 50,000 customers.

13. Staff is aware that increasing the level of customer participation will increase the implementation costs borne by APS. APS has provided Staff with the spreadsheet models it used to estimate the implementation costs of its proposed new experimental TOU rate schedules. Using APS' spreadsheets and keeping all of APS' assumptions therein the same, Staff has calculated estimates of implementation costs for various levels of customer participation. The following table summarizes the results of those calculations:

Table 3: Estimated Implementation Costs for Different Levels of Customer Participation

Expected new participants	**20,000**	**50,000**	**100,000**
Meter and installation and transportation	$365,205	$866,680	$1,702,471
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Customer service costs	$159,675	225,488	335,175
Total incremental costs	**$1,174,880**	**$1,742,167**	**$2,687,646**
Total incremental cost per customer	**$58.74**	**$34.84**	**$26.88**

According to these cost estimates, moving from APS' proposed 20,000 limit on customer participation to Staff's proposed 50,000 limit will result in an additional $567,287 in implementation costs for APS. While Staff is not recommending recovery of these costs at this time, Staff did calculate the increase to the daily Basic Service Charge that would recover the estimated implementation costs with 50,000 customers participating. Assuming a three year amortization period, the daily Basic Service Charge would have to equal $0.525 (or $0.032 more

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than the daily Basic Service Charge on APS' current TOU rates) in order to recover the estimated implementation costs with 50,000 customers participating.

14. Because the proposed experimental tariffs are designed to be revenue neutral, and because they were contemplated in Decision No. 67744, Staff believes it is appropriate to use the fair value finding in that decision for the purposes of a fair value finding regarding the analysis of these experimental rate schedules. Decision No. 67744 found APS' fair value rate base to be $5,054,426,000 and its fair value rate of return to be 5.92 percent. Because these experimental rate schedules are intended to be revenue neutral, they should have little or no effect on APS' rate of return.

15. Staff recommends approval of APS' proposed experimental rate schedules ET-2 and ECT-2 with the modification that the daily basic service charge for both rate schedules is set at $0.493 and the limit on customer participation is set at 50,000.

16. Staff also recommends that on an annual basis after these experimental rates are approved by the Commission, APS shall file with the Commission a report that details the summer and winter load shapes of the participants in the experimental rates. The annual reports should also include the number of customers taking service on these experimental rates and the amount that customers have saved relative to non-time-of-use rates.

17. Staff further recommends that concurrent with the filing of the second annual report, APS will file an application to make these experimental rates (with appropriate modifications) permanent and available to all customers.

18. Staff's recommendations, as set forth in Findings of Fact Nos. 9 through 17, are reasonable and should be adopted.

CONCLUSIONS OF LAW

1. APS is certificated to provide electric service as a public service corporation in the State of Arizona.

2. The Commission has jurisdiction over APS and over the subject matter of the application.

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3. The Commission having reviewed the application and Staff's memorandum dated March 23, 2006, concludes it is in the public interest to approve APS' proposed ET-2 and ECT-2 rate schedules as modified herein.

ORDER

IT IS THEREFORE ORDERED that APS' proposed experimental rate schedules ET-2 and ECT-2 are approved.

IT IS FURTHER ORDERED that the daily basic service charge for rate schedules ET-2 and ECT-2 is set at $0.493.

IT IS FURTHER ORDERED that the limit on customer participation on rate schedules ET-2 and ECT-2 is set at 50,000 customers.

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IT IS FURTHER ORDERED that by each January 31st from the date of this order, APS will file with Docket Control annual reports that detail the load shape of the participants in the experimental rates ET-2 and ECT-2.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____day of _____ , 2006.

_____
BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:MJR:lhm\JFW

SERVICE LIST FOR: Arizona Public Service Company
DOCKET NO. E-01345A-05-0674

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